

MINISTERIAL ROUNDTABLES

GENDER RESPONSIVE INVESTMENT

The **Hon Fiame Naomi Mataafa** chaired the roundtable.

David Ashiagbor presented on **Promoting Gender Responsive Investment** in which he noted that promoting investment was a core activity of the Commonwealth Secretariat. This activity included:

- Helping to raise venture capital, and securing the involvement of private equity funds and had raised some \$800m in the Caribbean, the South Pacific and Africa.
- Developing new products – e.g., a database of credit information.
- Work to promote business environments – with specific work on access to finance for women given that:
 - Women have lower default rates but find it more difficult to access capital;
 - Women face greater delays in registration and realisation of collateral leading greater unwillingness among banks to lend to lend with consequent increases in the costs of lending; and
 - Women-owned businesses tend to be smaller leading to higher units costs in lending.

While providing small loans to women can be profitable, financial institutions may not have the necessary skill sets to support applicants who often do not have adequate financial information, business plans, etc. Banks try to find ways around these conditions by lending at higher rates.

The lessons learnt have been the need to work at the operational and policy levels.

Operational

- Develop products and methodologies, such as leasing and factoring, that both enabled banks to work with clients and gave them greater incentive to lend;
- Find means of financing other than bank financing that might be more appropriate; and
- Explore the need for other legal frameworks.

Policy

- All policy approaches must be fully coordinated.

Yasmina Zaidman presented on the **Acumen Fund**. The Acumen Fund works as a non-profit venture capital fund using philanthropic money to invest with businesses that address the needs of the poor. The fund starts with donations and acts as an investor but with more flexible policies than could be implemented by investors motivated primarily by profit. After initial successes the small companies can graduate to more traditional forms of financing.

Investments are primarily in the areas of health, housing, water, agriculture and energy. Entrepreneurs are largely allowed to generate their own business models. Measures of success include factors such as social impact, financial sustainability and innovation.

Some factors on which success depends are entrepreneurs with will and skill; “patient” capital that is willing lend over a longer period of time in order to invest in the early

stages of the enterprise; Government engagement to reduce regulatory barriers and improve transparency; and mainstream financial institutions that can help enterprises grow.

Artemis Toumazi presented on the **Cyprus Women's Cooperative Bank Ltd. (CWCB)**, described as a true financial institution controlled by the Central Bank and the Commissioner of Cooperative Societies.

In Cyprus, women make up only 12% of entrepreneurs, generally as small single person businesses. The cooperative initiative lobbied for a licence; found 250 women to put up capital, and started with €250,000, a sum that has now grown to 250 million. The bank lends up to €18,000 without collateral; and up to €100,000 with collateral. Women who cannot produce a business plan are provided with free consulting services – a practice that reduces costs through free services.

CWCB has never made a loss and survived through the recent financial crisis because the women treat the loans as a means of livelihood and approach profit-making seriously. They also receive assistance at all stages to start, develop, and grow their businesses. The bank also serves men, but men are charged a standard market rate, not a discounted rate that is available to women. This is not to punish or deter but to provide a form of positive discrimination or affirmative action to ensure equal access for women.

Gloria Plata-Neira presented on **Luna Design**, a business model for single mothers. Having started as high end jewellers, the company changed its style to address environmental and social issues, turning to products made from seeds harvested sustainably and using non-toxic production processes.

Their model gives mothers the opportunity to stay at home with children and their homes are assessed to ensure healthy working conditions. The women are provided with training to produce jewellery at home, are helped with basic needs, given generous terms of work to accommodate family needs; and their payments are given priority in cash flow decisions. Children often accompany their mothers to receive payment; the children of women who work on site are provided with recreational space.

The programme has shown that a business can be run in a family-friendly way, accommodating women in their two most common spheres of activity – paid employment and care giving. The model shows that investment can promote human quality. Other entrepreneurs should be motivated to work in this way.

DISCUSSION

Challenges in Financing

Participants focussed attention on the issues of the size of markets for loans, the costs of loans to women, the sources of funding to lending agencies, and alternative methods of raising funding and investing with small entrepreneurs.

Despite evidence of lower default rates among women, traditional financial institutions remained reluctant to invest in women entrepreneurs, often causing them to turn to

micro-financing. Micro-financing was by nature expensive because of the intense support that small entrepreneurs often required - costs that bigger banks were unwilling to assume. It should be recognised that banks were designed for a specific kind of clientele and other forms of financing were required to support other choices.

Credit unions were recommended as one such choice, with the Minister from St. Vincent noting that women are accustomed to working along cooperative methods in the households that they head, and that while small businesses often collapse credit unions are more likely to survive.

Encouraging Women's Entrepreneurship

There was wide admiration for the model employed by Gloria Plata-Neira. The training, conditions of work, payment arrangements and provision for support of children were recognized as a model that supported women in their two common functions of paid employment and family care.

In exploring further ways of providing women entrepreneurs with low cost financing, participants explored the methods of the CWCB and Acumen Fund. Among techniques employed were:

- Provision of small collateral-free loans based on knowledge of the community
- Provision of free consulting by board members
- Tailoring loans to the real needs of borrowers
- Willingness to extend the repayment period

Success rates were generally high but the provision was made that measures of success needed to be extended beyond mere repayment of loans to include a social impact on the strength of families and communities.

Where banks were reluctant to invest, the diverting of grant funding to entrepreneurs was put forward as an alternative source of funding, and one that might also contribute to more efficient use of the money. Entrepreneurs might even be left to follow their own business model in the knowledge that they would want to protect their own resources.

There was also the possibility of using capital market techniques, of pricing risk rather than return and of adopting any of the new models that had been tried successfully in several parts of the world. Collaboration and working together to produce scale was recommended in cases where individual activity was too expensive.

Recommendations for the Way Forward

The commitment of government to gender equality was stressed. Only when government showed it was leading the struggle for gender equality would the private sector and lending agencies find the confidence to lend to women. The Government of Cyprus offered the Cyprus Women's Cooperative Fund support through a scheme under which women could get 50% of their start up capital as a free grant.

Access to financing based on population size was an area of concern. The Acumen Fund model of relying on the replenishing of capital from investment and the involvement of large supporting companies required large populations of one million or more to attract

funding – a population size that exceeded that of many small countries. Working as regional groupings was one suggested method of aggregating populations.

Another important point for the way forward was that other forms of financing had to be stimulated to meet the needs of small investors because traditional bank financing has limitations and is not generally suitable to small investors; if available it is often at a high price because of the level of support that is necessary.

Finally, it was emphasised that regulatory fields must be made clearer; and new markets and new ways of meeting needs must be explored.